

<b>Observation (continued)</b>	<ul style="list-style-type: none"> <li>The University should establish experience based policies and procedures to determine its allowance for uncollectible accounts. Generally, organizations use a historical trend analysis to predict its collection of accounts receivable. The University's method of determining its allowance for uncollectible accounts and its write-off of receivable balances, although consistently applied, is not soundly based on data such as actual past collections and write-offs of receivables. Tracking the historical trends of its actual collections is much more predictive of future collections and write-offs of receivables.</li> </ul>
<b>Recommendation</b>	<p>We recommend that the University develop definitive policies and procedures to monitor receivables and subsequent collections to ensure that the University's assets are protected. We further recommend that the University refund balances due to the students and monitor its compliance with Title IV regulations. In addition, we recommend that the University utilize historical trend data of its past collections of receivables to determine its calculation of the allowance for uncollectible accounts. This trend analysis should be updated at least annually to reflect changes in collection trends.</p>

<b>Process</b>	Internal Control Monitoring
<b>Title</b>	Internal Audit
<b>Observation</b>	<p>The operations of the University are fairly diversified. Management and board members have the responsibility for planning, organizing, and controlling the University's activities. Control of activities, although of importance to all managers, is of special importance to government managers because of the legal and political environments in which they operate. Organizations of a similar size typically have an internal audit function to assist management and the board with ensuring that policies and procedures are being developed and implemented in the manner intended to meet goals and objectives. The University's internal audit function was terminated during the reductions in force several years ago.</p>
<b>Recommendation</b>	<p>Due to the weakened condition of the general control environment, we strongly urge the University's management to re-establish the internal audit function. An effective internal audit function evaluates risks and prioritizes tasks to address the more urgent needs of the organization. The internal auditor is generally charged with examining, evaluating and reporting on internal controls (including data processing) as well as evaluating compliance with policies, procedures and laws and regulations. Additionally the internal audit department analyzes financial and operational activities to monitor whether management and the board's stewardship responsibilities are properly and effectively discharged. Establishing a strong internal audit function can provide numerous benefits to the University including:</p> <ul style="list-style-type: none"> <li>• Reviewing and appraising the soundness, adequacy, and application of accounting, financial and operating controls;</li> <li>• Identifying opportunities for improvement of internal control policies and procedures;</li> <li>• Early detection of potential problems in various areas;</li> <li>• Ascertaining the extent to which the University's assets are accounted for and safeguarded from losses of all kinds;</li> <li>• Ascertaining the reliability of management data developed within the University;</li> <li>• Appraising the quality of performance in carrying out responsibilities;</li> <li>• Assisting and participating in the University's external audit;</li> <li>• Reducing the risk of defalcation, inefficiency, and ineffective operations and;</li> </ul> <p>Providing top management and board officials the means to receive independent, objective evaluation of internal operations.</p>

<b>Process</b>	Grants Management
<b>Title</b>	Restricted Grant Funds
<b>Observation</b>	<p>Current restricted funds are resources provided to an institution that have externally established limitations or stipulations placed on their use, but are intended to be used for current purposes. At the direction of the external funding source (for example, individual, corporation, foundation, or governmental agency), restrictions can be broad or specific. The University has both current unrestricted and current restricted funds that are kept separate for accounting purposes. The distinction allows the governing board to better understand what is specifically within its discretion and what activities are the results of accepting resources with restrictions.</p> <p>The University currently accounts for its intra-District grant activities in the restricted fund. The University also accounts for other grants in its current restricted fund; however, it is not evident that the restrictions are being monitored to determine when or whether those restrictions are met. Once restrictions on grants have been satisfied or have expired, the University should either recognize the funds as revenue and use funds for unrestricted purposes, or return funds to the grantor in accordance with provisions of the grant agreements. Not monitoring or communicating when restrictions are met could expose the University to risks of loss due to requirements requiring the return of grant proceeds if requirements are not complied with.</p>
<b>Recommendation</b>	<p>Since intra-District grants do not meet the definition of a restricted fund, we suggest that these grants be accounted for as unrestricted current funds.</p> <p>We further recommend that University personnel take inventory of its restricted grants and determine whether restrictions have been met. They should then determine whether grants in the fund can be recognized as revenue and used for unrestricted purposes or must be returned to the granting agency in accordance with the provisions of the grant agreement.</p>

<b>Process</b>	Litigation Monitoring
<b>Title</b>	Litigation Analysis and Accrual of Litigation Liability
<b>Observation</b>	<p>The office of University counsel monitors and litigates cases on behalf of the University. The counselors are charged with communicating the University's exposure to losses to the finance department to establish the accrual for litigation as well as communicating the settlement of such cases for the adjustment of existing accruals. In return, the finance department should relay information regarding when legal cases are paid in order for the counselors to close their case files. During our test work, we noted that there was a lack of communication between the office of University counsel and the finance department. There is also a lack of understanding of what is required to be accrued in accordance with FASB 5 <i>Accounting for Contingencies</i>. We received two attorney's letters indicating very different amounts required to be recorded as liabilities. The lack of overall communication between the two departments resulted in the University over estimating its accrued liabilities for some cases and under estimating the liability for others.</p> <p>The University is not adequately monitoring its payment of legal cases. In prior years the University recorded liabilities for litigation. In addition to noting the University's extreme difficulty in supporting the payment of certain legal cases, we also noted that when the amounts were paid, the University did not reduce the related liability account. Instead the amounts paid were again charged to expenditures thereby causing expenditures to be overstated by \$7 million. This overstatement of expenditures could have caused the University to improperly report an inflated deficit.</p> <p>Furthermore, it was noted that both the District and the University recorded an \$11 million liability related to a legal case for reduction in force.</p>
<b>Recommendation</b>	<p>We recommend that the University's counsel office establish regular communications with the finance department to ensure that the University's exposure due to litigation is accurately accounted for in financial statements and is adequately considered in finance decisions.</p> <p>The University must also develop and implement policies and procedures to ensure that its legal exposure is accurately captured and that settlements are accurately and adequately reflected in financial records. Additionally, it must establish adequate communications within its departments and with the District to ensure that matters related to litigation are properly disclosed.</p>

<b>Process</b>	Technology Management
<b>Title</b>	Information Technology
<b>Observation</b>	<p>We reviewed various elements of the University's information technology resources and noted numerous opportunities for improvements.</p> <p><b><i>Prior Year Findings</i></b></p> <p>The following items were reported as part of prior year audits, yet remained unresolved at the time of our review:</p> <ul style="list-style-type: none"> <li>• Computer equipment in place at the data center is old and antiquated, and does not support the needs of its users;</li> <li>• Inadequate staffing at the UDC Computer Center;</li> <li>• Lack of formal procedures for change management of both hardware and software components;</li> <li>• Lack of information systems plans, documented systems related policies and procedures, and agency level EDP steering committees, and</li> <li>• No formal sign-off of programming changes.</li> </ul> <p>The University's information technology control environment is weakened by the continued existence of the items listed above.</p> <p><b><i>Service Level Agreements</i></b></p> <p>The University's Data Center has not signed a service level agreement with the Department of Human Services (DHS). Moreover, the University's Chief Financial Officer's (CFO) office has not signed a service level agreement with the SHARE data center. Since September 2000, the Office of the Chief Technology Officer (OCTO) moved the University's data warehousing and processing functionality to DHS/SHARE. Although OCTO has issued a \$1 million agreement, the University's officials have not signed it. If the University fails to sign a service level agreement with DHS/SHARE, it runs the risk of not establishing a common understanding of the level of service required. Additionally, in the event that private student data is made available to a third party by DHS/SHARE, due to a lack security standards established in a service level agreement, the University will have no legal grounds for defense.</p> <p><b><i>Student Information System (SIS) Plus Security</i></b></p> <p>Passwords are not set to expire within a specified period of time. Additionally, SIS Plus users are not locked out of the system after a specified number of unsuccessful login attempts. The SIS Plus application's password administration functions have not been fully implemented. Moreover, the policy requiring users to change their passwords is not strictly enforced. Without a comprehensive set of logical access control procedures that include password administration guidelines and standards, security over data, and programs may be subject to unauthorized access.</p>

<b>Observation (continued)</b>	<p><b><i>Access Removal</i></b></p> <p>There are no consistently applied and formally documented procedures regarding the methodology for deleting transferred or terminated employees' access to the University's information systems. Currently, the following three methods are used:</p> <ol style="list-style-type: none"> <li>1. An employee fills out a <i>University of the District of Columbia Employee Separation Clearance Form</i> when leaving the University. It was noted that the form is not always used and does not contain all related University systems i.e., CFO systems.</li> <li>2. A department manager calls the systems administrators to inform them of the employee's departure.</li> <li>3. The data center calls the University's Personnel Department requesting a list of recently departed employees. The data center requests this list about three times a year.</li> </ol> <p>Without formal procedures for handling departed employees, the University may not be removing user access in a timely and efficient manner.</p> <p><b><i>Security Procedures</i></b></p> <p>The University's data center currently uses a document created by IBM Global Services in October 1999, <i>The Information Security Controls for District of Columbia, UDC</i>, to document its security controls. The document does not contain a section on security awareness training for users. Additionally, the University has not established a security awareness training program. The University's data center operations were recently transferred to the DHS data center. Without a security awareness program and related training, security policies may not be properly communicated and complied with by staff and systems users.</p>
<b>Recommendation</b>	<p>The following recommendations are proposed to improve the various issues noted in our review:</p> <ul style="list-style-type: none"> <li>• Management should take immediate steps to address and correct the issues noted in all prior year findings.</li> <li>• The University's staff should work with DHS/SHARE to establish and mutually commit to a binding service level agreement.</li> <li>• University's data center management should take steps to implement all automated control procedures which are designed to facilitate compliance with the established security policy. Where automated functionality does not exist, we recommend the University enforce a policy requiring all SIS Plus users to change their password on a regular basis.</li> <li>• The Vice President of Student Affairs should ensure that system access administration procedures be documented and consistently followed. Such procedures should require all University personnel to fill out a Employee Separation Clearance Form before separating from the University.</li> </ul>

<p><b>Recommendation (continued)</b></p>	<p>Additionally, the form should be updated to add the CFO systems. Also, the Personnel Department should routinely send a list of departed personnel to the data center and CFO's office on a quarterly basis.</p> <ul style="list-style-type: none"> <li>• The University's data center management, together with DHS's data center management, should consider modifying the <i>Information Security Controls for District of Columbia, UDC</i> policy to include security awareness training. The modified controls document should mandate the establishment and implementation of a security awareness training program for University staff.</li> </ul>
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<b>Process</b>	Fixed Assets Management
<b>Title</b>	Maintaining Fixed Assets Records and Control
<b>Observation</b>	<p>Sound financial administration in safeguarding the University's investment in fixed assets is one of utmost importance in the exercise of stewardship responsibilities. These responsibilities can be effectively discharged only through adequate fixed assets accounting. During the fiscal year, the University did not properly maintain its fixed assets listing, additions were not adequately captured and recorded and deletions of fixed assets were not documented and recorded. In addition, no fixed assets inventory was performed for the year. We noted that in some instances assets ordered through the procurement process as well as with University issued credit cards are not delivered to the receiving department but are delivered directly to the ordering department. Consequently, the University is not properly tagging some fixed assets and entering them into the fixed assets register. These practices could result in the misappropriation of assets.</p>
<b>Recommendation</b>	<p>The University should strengthen its existing control procedures related to recording fixed assets. These procedures should include:</p> <ul style="list-style-type: none"> <li>• Process to ensure that items ordered are delivered to the receiving department and are properly tagged as University property;</li> <li>• Control over the proper input into the records for all fixed asset additions and disposals;</li> <li>• Periodic reconciliation of detailed ledgers to the general ledger;</li> <li>• Periodic inventory of fixed assets by location and;</li> <li>• Verification that any asset determined no longer of value or service to the University is properly removed from the records.</li> </ul>



<b>Process</b>	Operations Management
<b>Title</b>	Consolidating the Operations of the University
<b>Observation</b>	<p>The operations of the University are varied as are the programs provided to its students. The University is a comprehensive public institution offering post-secondary education at various levels. It offers programs at the certificate, associate's, baccalaureate, and graduate levels. The University maintains most of its student's records on its Student Information System (SIS Plus). However, the individual departments for the law school and continuing education programs manually maintain the information and records related to their programs. Separate registrations, collection of tuition, and maintenance of student files and records by these individual departments, create duplication of efforts and inefficient use of resources. Separate maintenance of records and information by these various departments makes it difficult to obtain and consolidate information as well as to track various trends and patterns. In addition, manual systems used to register students and record collection of tuition fees is antiquated and unnecessary.</p>
<b>Recommendation</b>	<p>Considering the registration process, the process of adding and dropping courses, and maintaining individual student course schedules, the University should be identifying more ways to increase its effective use of technology in registering students. In order for the University to reduce duplication of support services, maintain better control over registration and collection activities and make better decisions related to its student body, these operations should be consolidated and automated.</p>

<b>Process</b>	Operations Management
<b>Title</b>	Change in Fiscal Year End
<b>Observation</b>	<p>Presently the University's operating cycle is inconsistent with its reporting cycle. The University's operations naturally revolve around the school year, which encompasses two semesters and the summer. The University's current fiscal year end (September 30) does not coincide with the completion of the school year (June 30) and thereby requires duplication of efforts to prepare the many required reports including financial and statistical reports. Reports to the federal government for financial aid, particularly the FISAP report which requires both financial and statistical information, are typically required as of June 30. Due to the fact that so many high volume transactions and time consuming activities come within such a short time frame, the September 30 year end puts additional burdens on the University's already short-handed staff. In a very close span of time, the University is inundated with activities and transactions related to the start-up of the new school year (fall semester), budget preparation, and fiscal year end closing as well as the fiscal year end audit. This puts a strain on the University's already limited resources.</p>
<b>Recommendation</b>	<p>We recommend that the University consider changing its fiscal year end to June 30 to better enable the University's staff to meet the demanding reporting and other requirements.</p>